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Social Protection in sub-Saharan Africa: Will the green shoots blossom?

Miguel Niño-Zarazúa
United Nations University
World Institute for Development Economics Research

Background

- **Rise of social protection** in the global South – A shift in policy thinking that reflects an emerging consensus that eradicating poverty requires economic growth, basic service provision and social protection

- What forms does social protection take?

  1) ***Social Insurance*** *(*contributory health, unemployment and pension systems)

  2) ***Labour market regulations*** (minimum employment standards and worker rights, including child protection

  3) ***Social Assistance*** (income transfers to address poverty and vulnerability)

Background

- The ‘green shoots’ of social protection in sub-Saharan Africa are mainly in the area of **social assistance**

- Social protection has become a component of a second-generation of Poverty Reduction Strategy Papers in sub-Saharan Africa. There are now **National Social Protection Strategies** in Ghana, Mozambique, Rwanda and Uganda

- Livingstone Process – through the African Union– agreed to push the SP agenda to replace emergency aid with regular and reliable income support

- Social protection is also increasingly seen as countercyclical policy responses to **food, fuel and financial crises**
  - **Borrowing from experiences in Latin America**

A typology for social assistance in SSA

1. **Pure income transfers**

   1.1 Transfers to poor households: Namibia's Basic Income Grant Pilot Project

   1.2 Child and family allowances: ZA *Child Support Grant*

   1.3 Old-age and disability pensions : ZA's *Old-age pension*, Mozambique's *Programa de Subsidio de Alimentos*

2. **Income transfers plus (transfers linked with basic service provision)**

   2.1 Transfers for human development: Ghana's *Livelihood Empowerment Against Poverty (*LEAP*);* Tanzania's Pilot Cash Transfer Programme; Kenya's CT-OVC

   2.2 Employment guarantee schemes/Public Works: Malawi's Improving Livelihood through Public Works; ZA' Expanded Public Works Programme

   2.3 Asset protection and asset accumulation: Ethiopia's Productive Safety Net Program

Largest social transfers in SSA

Programme	Country	Beneficiaries (in millions)	Income Group	Lending category
Old Age Pension	South Africa	10.00	Upper middle income	IBRD
Child Support Grant	South Africa	9.50	Upper middle income	IBRD
Productive Safety Net Program	Ethiopia	8.20	Low income	IDA
Expanded Public Works Programme: Phase 2	South Africa	5.00	Upper middle income	IBRD
Improving Livelihood Through Public Works Programme	Malawi	2.68	Low income	IDA
Disability grant	South Africa	1.50	Upper middle income	IBRD
Protracted Relief Programme	Zimbabwe	1.50	Low income	Blend
Food Subsidy Programme	Mozambique	0.72	Low income	IDA
Old Age Grant	Namibia	0.65	Upper middle income	IBRD
Old Age Pension	Botswana	0.59	Upper middle income	IBRD
Sub-total		40.33		
Other 32 pilots		3.00		
TOTAL sub-Saharan Africa		43.00		

Source: Barrientos and Niño-Zarazúa (2011)

Social Protection in sub-Saharan Africa: Origins

- **Non-contributory pensions** for poor whites in South Africa – borrowed from early origins of European Welfare systems in the 1920s –Apartheid wouldn't allow 'white poverty'

- **Donor-supported responses**, usually food aid against famine and food insecurity
  - ✓ Since the 1980s, Angola, DRC, Ethiopia, Liberia, Mozambique, Rwanda, Sierra Leone, Somalia, Sudan and Uganda faced humanitarian crises

- **Indigenous forms of social protection** –community and household level safety-nets that although imperfect, continue to evolve:
  - ✓ **Informal (and formal) savings** – more effective for small-losses/high frequency contingencies
  - ✓ **Insurance** are more effective for **large-losses/low-frequency contingencies**

	Before mid-1990s		After mid-1990s	
	Pure income transfers	Dynamics	Pure income transfers	Income transfers plus services
MIC Africa ' model' age-based vulnerability transfers	Old age and disability grants in South Africa, Mauritius, Namibia, Seychelles Categorical universal transfers, means tested in South Africa; Racially segregated in eligibility and benefits *Politics*: Domestically driven by settler elites *Finance* : tax financed	→ Extension of coverage	Removal of racial discrimination; Adoption of social pensions in Botswana, Lesotho, and Swaziland; 1998 CSG in ZA *Politics:* Equity politics in ZA and Namibia; electoral politics in Lesotho; Sub-regional 'demonstration effect' *Finance :* tax financed	Experiments with income transfer plus services – Zibambele and Gundo Lashu in South Africa
LIC Africa' model' Extreme poverty-based transfers	Few countries with public welfare programs (Zambia, Zimbabwe) …but emergency food aid dominant *Politics:* food aid externally driven, but exploited by local political elites *Finance:* donor financed	→ Shift from food aid to social transfers	Mozambique FSP Zambia pilot categorical transfer programs *Politics:* donor driven *Finance:* donor financed in Zambia; joint donor-government financed in Mozambique	Ethiopia PNSP; Kenya OVC; Malawi's Mchinji; Ghana's LEAP *Politics:* donor driven, but rising government engagement *Finance:* largely donor financed but domestically financed in Ghana

Source: Niño-Zarazúa *et al* (2012)

The LIC model

- **Economic growth in 2000s, debt relief, revenues from natural resources**, and **changing donor priorities**, have produced a shift in policy from emergency aid to social protection. There are two separate shifts:

  1. From **emergency food-aid to income-aid** in the context of humanitarian emergencies
  2. From **emergency food aid (whether it is in food, in-kind, or in-cash) to regular and reliable social transfers**- Ethiopia's **PSNP**

- Programmes largely financed by donors which dominate programme design

- Most schemes are pilots and lack the institutional, financial and political support Few exceptions e.g. **Ethiopia's PSNP**
  - ✓ Covers 8.2 million people (11% of Ethiopia's population)
  - ✓ Cash for work (80% budget) AND direct support for vulnerable groups, about 1.6 million people (20% of recipients)
  - ✓ Although supported by foreign aid, strongly embedded in policy process

The MIC model

- **HIV/AIDS has impacted household composition in Southern Africa** – family structures have enhanced the effectiveness of pure income transfers
  - ✓ **The Old Age Pension → Child Support Grant** = effective policy responses
  - ✓ In Southern Africa, old age grants are in practice income transfers to poor households with older people
  - ✓ The availability of public services in MICs in Africa means that pure income transfers can ensure access

Country	Age of eligibility	Selection criteria	Monthly Income Transfer (in US$)	% of targeted population with pension	Cost as % of GDP
Botswana	65+	age and means test	27	85	0.4
Lesotho	70+	age and citizenship	21	53	1.4
Namibia	60+	age and citizenship	28	87	2
South Africa	63+ men 60+ women	age and means test	109	60	1.4
Swaziland	60+	citizenship and means test	14	80	n.a

Main challenges ahead for LIC: financing

- Simulations suggest that 1% of GDP could be sufficient to cover a basic pension, 2% of GDP a child focused transfer, and 2-3% of GDP could finance primary health provision
  - cost ~ 3-6% of GDP in LIC countries vis-à-vis ~ 0.5-3% of GDP in OECD countries

- If programmes are targeted, the cost would be lower

- Even if targeted programs were adopted, a 1% of GDP spend on social protection programmes would be hard to achieve where the room for **redistribution** and the government **tax collection capacity** are very limited.

Cost of social transfers in relation to domestic and external sources of revenue, 2008

	a) Old age pension as % GDP	b) Child benefit as % GDP	c) Unemployment scheme as % GDP	**Transfer package as % GDP**	Revenues - grants as % GDP	**Transfer package as % Revenues-grants**	Net ODA as % GDP	**Transfer package as % net ODA**
Guinea	0,6	1,5	0,3	**2,8**	15,6	**17,7**	7,5	**36,9**
Burkina Faso	1,1	2,8	0,6	**5,2**	13,1	**39,5**	12,5	**41,3**
Ethiopia	1,0	2,8	0,6	**5,1**	12,0	**42,2**	12,6	**40,3**
Tanzania	1,1	3,1	0,6	**5,5**	17,3	**31,9**	11,4	**48,5**
Senegal	1,1	2,0	0,5	**4,1**	19,6	**21,1**	8,0	**51,7**
Kenya	0,9	3,0	0,6	**5,2**	20,8	**24,9**	3,9	**131,3**
Cameroon	0,8	1,8	0,4	**3,5**	20,0	**17,3**	2,2	**154,0**

International Labour Organisation (2008)

Spending on income-tested programmes in OECD

	As % GDP	As % Social Expenditure	As % social expenditure in cash
Austria	1.1	3.9	5.8
Belgium	0.9	3.5	5.7
Canada	**3.3**	**20.2**	**48.8**
Czech Republic	1.6	8.2	14.1
Denmark	1	3.7	7.3
Finland	2.6	10.1	17.2
France	1.9	6.4	10.6
Germany	1.5	5.8	9.7
Hungary	0.6	2.6	4.2
Iceland	1	6.1	18.2
Ireland	2.6	15.3	30.6
Italy	0.7	2.7	4
Japan	0.5	2.6	4.8
Luxembourg	0.5	2	3.3
Mexico	**0.5**	**7.4**	**25.9**
Netherlands	1.1	5.2	9.8
Norway	1.1	4.9	9.8
Poland	1.1	5.2	7
Portugal	1.7	7.6	12
Slovak Republic	0.6	3.4	5.5
Spain	1.6	7.6	12.3
Sweden	**0.6**	**2.1**	**4.3**
United Kingdom	2.7	12.6	26.1
United States	1.2	7.8	15.6
OECD average	**1.5**	**7.9**	**15.9**

Income-tested spending on unemployment assistance, support to the elderly and disabled, and family cash transfers oscillate between 0.5% in Mexico to 3.3% in Canada, measured as % of GDP

Main challenges ahead: financing

- **Tax revenues** as a share of GDP have grown modestly in the sub-Saharan region; from 13.5% in the 1980s to 18% in the 2000s

- Constraints are associated with:
  - ✓ **The structure of the economy** – the rural subsistence economy and the informal sector are difficult to tax
  - ✓ **Administrative capacity** of revenue authorities
  - ✓ **Political economy factors**

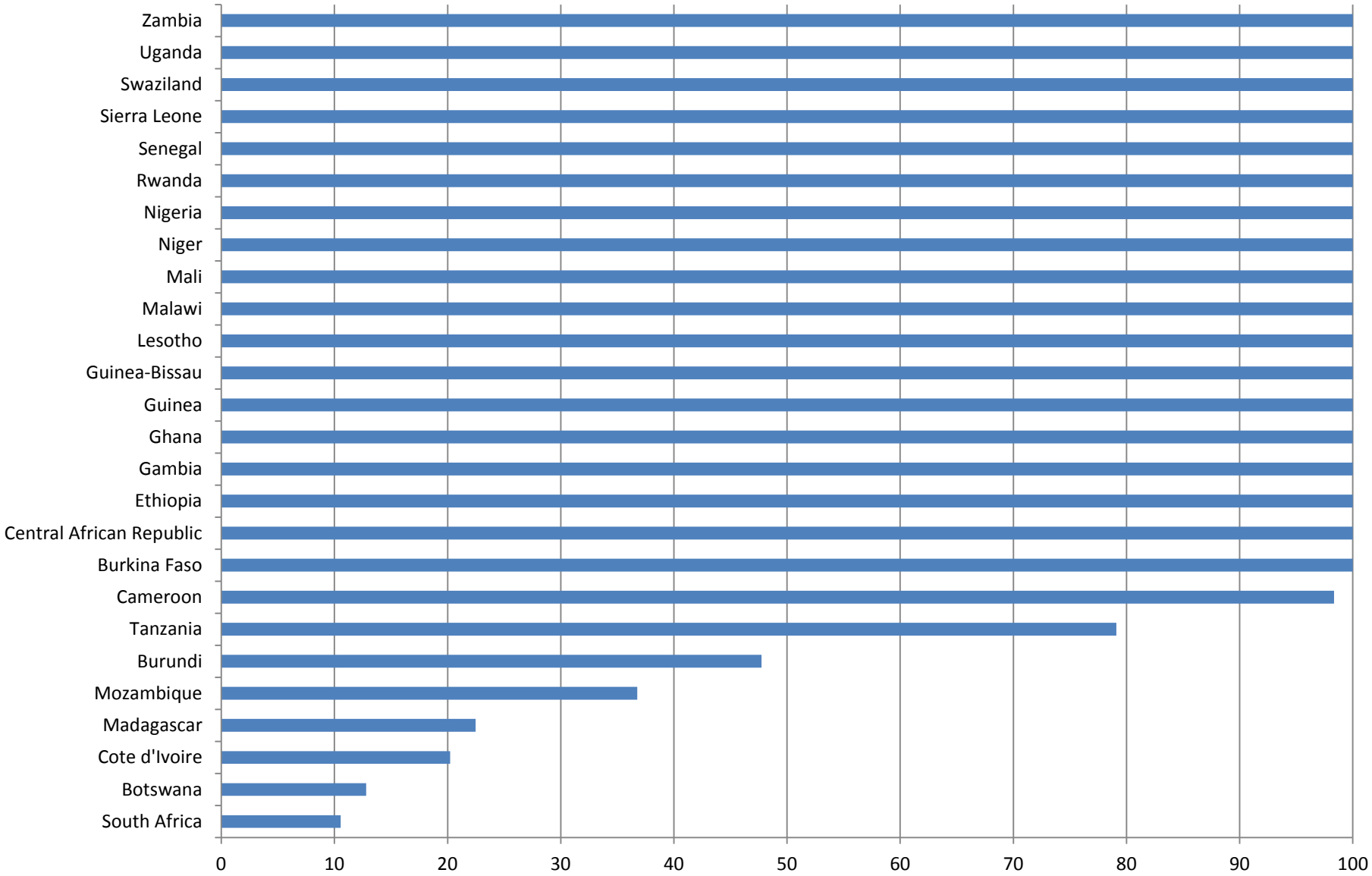
Financial issues: Redistribution?

- Redistribution policies have been important for the financial mix of social protection in industrialised countries. In SSA, redistribution policies remain limited

- The **marginal tax rate (MRT) on the 'rich'** that would be necessary to eliminate the normalised aggregate poverty gap in SSA would be simply economically and politically prohibitive as it would exceed 100% in most countries

  – **MTR: proportion of tax paid for each additional income unit earned at the highest income threshold**

Financial issues: Redistribution?



Niño-Zarazúa *et al* (2012)

Financial issues: resource mobilisation

- **Revenues from natural resources**: the discovery and exploitation of natural resources (including oil) in many countries in SSA have created the conditions to support, in principle, Social Protection:
  - Angola, Botswana, Cameroon, Chad, Côte d'Ivoire, Gabon, Equatorial Guinea, Ghana, Namibia, Nigeria, Republic of Congo, Sierra Leone, Togo, Uganda and Zambia
  - **Sovereign Wealth Funds** introduced in Nigeria, Botswana and Angola
- **Shifting expenditure** –tax exemptions/subsidies on **foodstuff, and fuel** show large leakages to the non-poor while diminishing the tax base
  - **Practical obstacles:**
    - The **greater the number of losers** from policy change, and the **more up front they are**, the more difficult it is to shift public expenditure
- **Medium-term fiscal policy objectives**
  - Rises in VAT earmarked for expenditures on Social Protection
  - Anti tax-evasion policies

Main challenges ahead in LIC countries: politics

- Donors oftentimes don't engage productively with the politics of Social Protection in LIC countries:

  - ✓ Propose **new initiatives** rather than **built on existing ones**
  - ✓ **Work through NGOs and parallel project structures** rather than the state
  - ✓ Whereas governments in SSA place a heavy emphasis on **growth and productivity**, donors often couch their ideas in terms of **'rights'** putting African elites off
  - ✓ Have been **slow to show how social protection policies can help support domestic longer term development aspirations**
  - ✓ Have **prioritized partnerships with social development type actors** who lack the political clout to establish social protection as a national policy priority AND the capacity to roll such policies out

Main challenges ahead: institutional capacity

- **Limitations in capacity to formulate, deliver, and evaluate transfer programs** are a key constraint in most LIC countries.

- Strong reliance on **community management and a mix of providers.** Malawi, Ethiopia and Zambia rely on community organizations to **select beneficiaries, collect and distribute benefits, and review and manage eligibility**

- Key challenge is **<u>to improve access and quality of basic service provision</u>** alongside social protection.
  - In Mexico, the government introduced an incentive-based grant system for schools and health clinics to compensate the additional cost from the increased demand for services by children beneficiaries of *Progresa-Oportunidades*

Concluding remarks

- The green shoots of social protection are sprouting – with MIC and LIC varieties
- Concerns about whether the challenges can be met – **domestic political support, finance, and institutional capacity**
- Possible ways of overcoming the challenges are emerging – south-south regional processes of diffusion and learning (e.g. the Brazil-Africa Alliance), improved tax efforts, and the gradual and hard work of **institutional development**
- Foreign aid and foreign ideas (and solidarity) can help BUT **donors need to understand countries' priorities and clearly communicate the role Social Protection can play in increasing productivity and fostering economic growth and development**